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HEAD OFFICE

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BRANCH OFFICES:

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SAINT JOHN

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WINNIPEG

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WINNIPEG

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AGENCY OFFICES:

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Cornwall
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Charlottetown

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Bridgewater

**Quarterly Report
to Shareholders
six months
ended June 30
1978.**

TO OUR SHAREHOLDERS:

Second quarter results for your company continue to justify the effort of the last several years.

Total administered assets have now passed the \$600 million mark. Pre-tax income of \$2,140,746 is 89% ahead of the same period last year. Earnings per common share are substantially diluted as a result of the preferred shares issued last fall and the additional calls on the common shares. In spite of this, earnings on common shares of 40¢ per share represent an increase of 43% over the same period in 1977.

Every effort is presently being directed towards the attainment of our 1978 mortgage lending objectives. The balance of this fiscal year will be measured accordingly.

N. C. W. Wood
President and
Chief Executive Officer
Toronto, 1978

STATEMENT OF EARNINGS (Unaudited) Six Months Ended June 30, 1978

	1978	1977*
REVENUE:		
Interest from Deposits, Receipts, Notes and Mortgages	\$ 10,262,536	\$ 6,053,910
Interest from Investment Securities	359,770	367,083
Other Operating Income	1,581,640	1,484,283
	<u>12,203,946</u>	<u>7,905,276</u>
EXPENSES:		
Interest	7,254,581	4,751,763
Salaries and Staff Benefits	1,567,704	1,184,993
Other Operating Expenses	1,241,523	908,360
	<u>10,063,808</u>	<u>6,845,116</u>
Earnings Before Income Taxes	2,140,138	1,060,160
Income Taxes	1,070,000	526,000
	<u>1,070,138</u>	<u>534,160</u>
Earnings Before Gain on Sales of Securities	608	37,210
Gain on Sales of Securities, Net of Income Tax		
Net Earnings	<u>\$ 1,070,746</u>	<u>\$ 571,370</u>
Earnings Per Common Share	<u>\$0.40</u>	<u>\$0.28</u>

CONDENSED BALANCE SHEET (Unaudited) As at June 30, 1978

ASSETS:		
Cash and Short Term Investments	\$ 30,851,901	\$ 21,521,909
Investment Securities	9,379,464	10,143,763
Mortgages and Other Receivables	179,103,657	111,988,937
Other Assets	517,618	862,216
	<u>\$219,852,640</u>	<u>\$144,516,825</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Deposits and Borrowings	\$205,283,111	\$136,406,842
Other Liabilities	1,376,541	1,216,604
Shareholders' Equity	206,659,652	137,623,446
	<u>13,192,988</u>	<u>6,893,379</u>
	<u>\$219,852,640</u>	<u>\$144,516,825</u>
TOTAL ASSETS UNDER ADMINISTRATION	<u>\$618,509,811</u>	<u>\$509,381,347</u>

* 1977 Figures Reclassified